

This Page Is Inserted by IFW Operations
and is not a part of the Official Record

BEST AVAILABLE IMAGES

Defective images within this document are accurate representations of the original documents submitted by the applicant.

Defects in the images may include (but are not limited to):

- BLACK BORDERS
- TEXT CUT OFF AT TOP, BOTTOM OR SIDES
- FADED TEXT
- ILLEGIBLE TEXT
- SKEWED/SLANTED IMAGES
- COLORED PHOTOS
- BLACK OR VERY BLACK AND WHITE DARK PHOTOS
- GRAY SCALE DOCUMENTS

IMAGES ARE BEST AVAILABLE COPY.

**As rescanning documents *will not* correct images,
please do not report the images to the
Image Problem Mailbox.**

Application No. 09/812,627
Reply to the Office Action of March 9, 2004
Docket No.: 3499-94

REMARKS

In the Office Action dated March 9, 2004, the Examiner has asserted that Applicants' Response to the Office Action dated December 2, 2003 filed on February 12, 2004 was not responsive to the prior Office Action because the amended claims are directed to a different invention than were the original claims. In order to expedite the prosecution of this case, and in accordance with a telephone conversation with the Examiner on March 30, 2004, the Applicants have agreed to file a Request for Continued Examination with the present amendment.

Because the Examiner did not address the substance of the Applicants' response to the Office Action dated December 2, 2003, the Applicants will repeat their response below, with the addition of corrections to typographical errors in amended Claims 16 and 21 and the remarks.

In the Office Action dated December 2, 2003, the Examiner rejected claims 1-18 and 21-25 under 35 U.S.C. § 102(e) as being anticipated by Basch et al. (U.S. Patent No. 6,119,103) ('103). In addition, the Examiner has rejected claims 19 and 20 under 35 U.S.C. § 103(a) over Basch et al.

Applicants' remarks, below, may be preceded by quotations of related comments of the Examiner, presented in small bold-face type:

**Claims 1-18 and 21-25 are rejected under 35 U.S.C. 102(e)
as being anticipated by Basch et al ...**

The undersigned has reviewed the December 2, 2003 Office Action and respectfully traverses all rejections for the reasons set forth herein and has addressed each of the Examiner's concerns in the currently pending claims. The undersigned respectfully requests that all pending claims be allowed.

Prior to discussion of the merits of the rejections, some brief comments reviewing the invention may be helpful. In general, the present invention is directed to facilitating the identification, investigation, assessment and management of legal, regulatory, financial and reputational risk associated with domestic and global commercial activities of financial firms.

Application No. 09/812,627
Reply to the Office Action of March 9, 2004
Docket No.: 3499-94

In assessing the viability of a proposed financial or business transaction, financial institutions must identify and evaluate a number of factors indicative of the present or potential risks posed by a proposed transaction. The risks relevant to a financial institution's determination of whether to conduct a particular transaction, open or maintain an account for a client are not strictly financial, such as the monetary exposure of a financial institution for a given transaction. Rather, these risks are multifaceted and may derive, for instance, from the failure to strictly adhere to rules of regulatory bodies, or from the reputational harm that could result to the professional standing of a financial institution in the industry. Consideration of all these risk factors requires financial institutions to undertake significantly burdensome inquiries since the amount of information that must be reviewed is often substantial and not immediately available to financial institutions' personnel in charge of conducting such inquiries. This burden imposed on financial institutions can be exponentially increased when the institution must assess the risks associated with an international transaction or an international client, particularly in light of financial institutions' "know your customer" obligations under U.S. laws.

The present invention can be used by financial or other institutions as an automated global risk management system, through which companies can gather, maintain, and evaluate all or some of the variables that may constitute a potential risk for a financial institution. Generally, the present invention facilitates the execution of these operations in real time by maintaining a database receiving data relating to one or more potential risk factors, structuring the information received and generating risk quotients for a proposed transaction or account. Based on the risk variables and risk quotient, the present invention can give guidance as to how to proceed by presenting a suggested action commensurate with the risk quotient. This system can be very useful to financial institutions for swift management of risks associated with proposed financial transactions.

Prior to discussion of the merits of the rejections, Applicants respectfully submit that the present invention was submitted with only 25 original claims and not "1-32" as indicated by the Examiner in item 1 of the Office Action:

Application No. 09/812,627
Reply to the Office Action of March 9, 2004
Docket No.: 3499-94

1. Original claims 1-32 have been examined.

Applicants have amended independent claims 1, 16, and 21-22 to specifically utilize terminology present in the specification and clarify the claimed invention. Specifically, Applicants have amended independent claims 1, 16, and 21-22 to indicate that a risk quotient comprises a scaled numeric or alpha-numeric value. In addition, Applicants have included language to more clearly relate the claims to the technological arts. Claims 26-28 limit claims to specific types of risk, as presented in the specification (see p. 1, line 31 to p. 2, line 11).

Applicants respectfully submit that no new matter has been added, that the amendments have been made in good faith and that Claims 1-28 are in proper form for allowance.

A. 35 U.S.C. § 102

The Examiner has rejected claims 1-18 and 21-25 under 35 U.S.C. § 102(e) as being anticipated by Basch et al. ('103).

Basch et al. is specifically directed to and the description focused on a system and method for predicting and assessing only the financial risk that may be associated with a financial transaction of an already existing account holder, or with a first issued account. The Basch et al. system and method require that at least one first credit account issues to an account holder by a credit account issuer. The risk is calculated by monitoring the transactions made by the account holder in one or multiple accounts held with one or multiple account issuers. A score is then formulated for an account, and when such account score goes below a predefined financial risk threshold, a warning may be transmitted to one or more account issuers. The warnings are issued to enable account issuers mitigation of further financial losses.

The Basch et al. invention, however, is not directed to a system and method enabling a financial institution a pre-assessment of the financial risks that may be involved with a proposed transaction or with the opening of an account. Review of the Basch et al. patent shows that its system and method is intended to improve fraud or insolvency detection of account holders that

Application No. 09/812,627
Reply to the Office Action of March 9, 2004
Docket No.: 3499-94

may get around existing credit bureaus reporting, by maxing out all accounts prior to the billing cycle and then filing for bankruptcy or otherwise avoiding repayment.

The Basch et al. method attempts to overcome the flaws of present credit bureaus reporting systems by issuing warnings directly at the account issuer's level, but only if a certain minimum threshold is reached. The transaction scoring method described in the Basch patent is based primarily on scoreable transaction patterns, where the scoreable transactions relate to events associated at least with a first issued account, and relevant only to the assessment of financial risk.

The Basch et al. patent, however, in no way teaches or suggests any methods or systems related to the identification and evaluation of regulatory risk, financial risk, reputational risk and legal risk associated with a proposed financial transaction due to identification of multiple risk variables. Furthermore the Basch et al. patent does not in any way teach a method by which such risks, including financial risk, may be calculated prior to the opening of an account, because the risk score generated in Basch et al. is strictly based on transaction or event patterns relating to an account holder and developed from transactions already performed on one or multiple accounts. (See col. 20, lines 62-67; col. 22, lines 12-15; col. 23, lines 46-55; col. 24, lines 34-43).

Applicants respectfully submit that the Basch et al. invention as claimed and described in the patent contains no elements of anticipation of a computerized risk management method and system for facilitating analysis and quantification of risk associated with a proposed financial transaction.

Turning to the rejection at hand, the Examiner has grouped together pending claims 1, 16, 21 and 22 in a common rejection without specifying the merits of each rejection and broadly referencing claims 1, 2, 19 and 29, as well as Figure 1 and the Abstract of the Basch et al. patent. Applicants respectfully submit that the Examiner has failed to comply with the requirements of MPEP § 706 which directs Examiners "to clearly articulate any rejection early in the prosecution process so that the applicant has the opportunity to provide evidence of patentability and otherwise reply completely at the earliest opportunity." See MPEP § 706 (Eight Edition 2001).

Application No. 09/812,627
Reply to the Office Action of March 9, 2004
Docket No.: 3499-94

Instead, by grouping together the foregoing rejections, the Examiner has rendered his grounds for rejection based on anticipation unintelligible, and has left Applicants to guess at what part of the prior art supports the rejection. While Applicants believe to have been deprived of the opportunity to provide a meaningful response to each of the rejections, Applicants heretoforth respond to said rejections in order to expedite examination of the present application. For example, the Examiner states that Basch et al.

teaches a computer-implemented method [and] computerized system for managing risk related to a financial transaction

See Office Action, Item 3.

However, review of the Basch et al. patent reveals that it does not in any way describe or claim a method or system for "managing risk related to a financial transaction" and that instead it is limited to a method and system for predicting or assessing "financial risk." (emphasis added)

In addition, the Examiner states that the Basch et al. method comprises the steps of:

gathering data related to risk variables for a financial transaction; receiving information relating to details of a financial transaction; structuring the information received according to risk quotient criteria; and calculating a risk score referencing the structured information and the gathered data.

Applicants respectfully submit that the Examiner has done no more than recite the claim elements of Applicants' invention *verbatim*, and that these elements are not contained in any of the claims of the Basch et al. patent.

As the Federal Circuit instructs, "anticipation requires the disclosure in a single prior art reference of each element of the claim under consideration." W.L. Gore & Assocs. v. Garlock, Inc., 721 F.2d 1540 (Fed. Cir. 1983). Furthermore, the prior art reference must disclose each element of the claimed invention "arranged as in the claim." Lindermann Maschinenfabrik

Application No. 09/812,627
Reply to the Office Action of March 9, 2004
Docket No.: 3499-94

GmbH v. American Hoist & Derrick Co., 730 F.2d 1452 (Fed. Cir. 1984). When the steps of a method are claimed, and they are more in number than those of the method claimed in the allegedly anticipatory reference, there can be no anticipation. See Systemation, Inc. v. Engel Indus., Inc., Civ. App. No. 98-1489, 1999 U.S. App. LEXIS 3849 (Fed. Cir. Mar. 10, 1999) (table) (attached hereto).

Thus, in order for the present rejection under 35 U.S.C. 102(e) to be proper, the Basch et al. reference "must clearly and unequivocally disclose the claimed [invention] without any need for picking, choosing, and combining various disclosures not directly related to each other by the teachings of the cited reference." In re Arkley, 455 F.2d 586, 588 (C.C.P.A. 1972).

First, neither Claim 1, 2, 19, 29, Fig. 1 nor the Abstract of the Basch et al. patent in any way claim a method including the step of "gathering data related to risk variables for a financial transaction." Thus, based on this element alone, independent Claims 1 and 22 cannot be anticipated because they claim a method comprising the foregoing step, which is a step additional to those required by the Basch et al. patent.

Similarly, independent Claims 16 and 21 claim respectively a computerized system comprising "executable software stored on the server and executable on demand, the software operative with the server to cause the system to: gather data related to risk variables for a financial transaction," and a computer program code "comprising instructions for causing the computer to: gather data related to risk variables for a financial transaction." (emphasis added) A review of the Basch et al. patent shows that neither Claim 1, 2, 19, 29, Fig. 1 nor the Abstract contain the described elements that would be required in order for the prior art reference to anticipate the present invention.

Accordingly, because independent Claims 1, 16, 21 and 22 of the present invention contain an additional step or element not present in Basch et al., anticipation cannot be found.

Secondly, the information that needs to be received under the Basch et al. method is limited to a plurality of transactions made on a particular credit account which must already exist. In the present invention, the step of receiving information containing the details of a

Application No. 09/812,627
Reply to the Office Action of March 9, 2004
Docket No.: 3499-94

financial transaction is not similarly limited and instead it refers, as explained in the specification, to a particular financial transaction that is under consideration by the financial institution, regardless of whether an account has already been issued.

Third, in the present invention, the information received regarding a particular financial transaction is then automatically structured by the Global Management Server according to predefined criteria, or may even be received in a pre-structured format, which would then allow the server to skip the post receipt data structuring and proceed with the calculation of the risk quotient. A review of the Basch et al. patent discloses no limitation or description of any data or information structuring relative to a particular financial transaction.

Fourth, the present invention calculates a risk quotient for a particular financial transaction based on the structured information and the gathered data. Instead, in Basch et al. the transaction data is not scored to determine a transaction risk quotient, rather it is scored to determine a transaction pattern which in turn yields a score for a given credit account. Thus, the score of the Basch et al. patent is specifically associated with the credit account, because the purpose of the method is to enable the issuance of warnings to account issuers in the event a given account falls below a predetermined score threshold. As such, Basch et al. is not concerned with determining a risk quotient for a transaction.

In rejecting Claims 1, 16, 21 and 22 of the present invention, the Examiner has further indicated that he has interpreted the calculation of the "risk quotient" claimed in the present invention as being included in the calculation of the "risk score" claimed in Basch et al., and thus anticipated.

Applicants respectfully traverse this rejection, and hereby incorporate the arguments set forth above. In attempting to apply prior art to the pending claims, the Examiner has misconstrued the Applicants' invention as well as the prior art reference. Furthermore, the Examiner has constructed this rejection by impermissibly extracting terms out of a claim in an attempt to find anticipation.

Application No. 09/812,627
Reply to the Office Action of March 9, 2004
Docket No.: 3499-94

As noted above, it is a well established rule that anticipation under 35 U.S.C. § 102(e) requires the prior art reference to disclose each and every element of a claimed invention, either expressly or inherently. Lindermann Maschinenfabrik GmbH v. American Hoist & Derrick Co., 730 F.2d 1452 (Fed. Cir. 1984). Instead, here, the Examiner has impermissibly taken the terms of the claims out of context and outside of the limitations of the claim to which these terms are necessarily tied. For instance, with respect to the "risk score" limitation, Claim 1 of the Basch et al. patent claims, in relevant part:

A computer-implemented method for predicting financial risk, the computer-implemented method comprising:

scoring said transaction data, wherein scoring said transaction data includes scoring a transaction pattern ascertained from said transaction data based on a preexisting model to form a score for said credit account, the transaction pattern being indicative of a pattern associated with the plurality of transactions for the credit account, said transaction pattern being arranged to include events that impact the financial risk.

Initially, the Applicants respectfully point out that the term "risk score" as used by the Examiner is not present in the foregoing claim, nor in any other claim cited by the Examiner. Furthermore, the Federal Circuit has held that a "wherein" clause in a claim must be considered a limitation of the claim. Griffin v. Bertina, 285 F.3d 1029 (Fed. Cir. 2002). As the Federal Circuit explained, "wherein" clauses must be given limiting effect because they clarify what is required by the count. Accordingly, Claim 1 of the Basch et al. patent is limited to and requires, *inter alia*, that the scoring of the transaction data include the scoring of "transaction patterns" to determine "a score for [a] ...credit account." Furthermore, the limiting effect of the "wherein" clause precludes a finding that the scoring method claimed in Basch et al. be interpreted to include "calculating a risk quotient referencing the structured information and the gathered data" of the present invention, as stated in the Examiner's rejection.

For the foregoing reasons, independent Claims 1, 16, 21 and 22 of the present invention are not anticipated by Basch et al., and Applicants respectfully request that they be allowed. In

Application No. 09/812,627
Reply to the Office Action of March 9, 2004
Docket No.: 3499-94

addition, because claims 2-15 and 17-18 depend on and, therefore, respectively include all of the limitations of Claim 1 and Claim 16, respectively, it is respectfully submitted that claims 2-15 and 17-18 are likewise not anticipated by Basch et al., and accordingly, should also be allowed. For similar reasons, new claims 26-28 should also be allowed.

With reference to Claim 23, the Examiner has rejected it citing the Abstract, Figure 1, and claims 1, 2, 19, and 29 of the Basch et al. patent. Once again, the Examiner has done no more than recite the Applicants' claim *verbatim*, without any explanation of the grounds for his rejection which are not readily apparent in the cited portions of the Basch et al. reference. Accordingly, Applicants hereby incorporate by reference all of the preceding arguments, and further submit that none of the cited portions of the Basch et al. patent are anticipatory of Claim 23 of the present invention.

The Basch et al. financial risk prediction system and method requires a receiving mechanism capable of receiving transaction information associated with an existing credit account, which mechanism must communicate with an authenticator that validates the transaction received in the receiving mechanism. Basch et al. also provides that once the transaction data is received and authenticated, then a scoring mechanism generates a score for the account holder, which score is in turn submitted to an evaluator for comparison with a predefined financial risk threshold. The system must also include a transmitter, which is used to transmit the score generated for an account holder to the account issuer. Basch et al., however, does not describe, teach or suggest a method in which a network access device can be used to manage risk relating to a financial transaction, by interacting "with a risk management server" or "receiving a risk quotient indicative of a level of risk associated with the transaction," as recited in Claim 23. In view of the foregoing, it is respectfully submitted that independent Claim 23, and likewise Claims 24-25, which depend on Claim 23, are not anticipated by Basch et al., and Applicants respectfully request that pending Claims 23-25 be allowed as submitted.

Application No. 09/812,627
Reply to the Office Action of March 9, 2004
Docket No.: 3499-94

B. 35 U.S.C. § 103

The Examiner has rejected claims 19 and 20 under 35 U.S.C. 103(a) over Basch et al. Applicants respectfully traverse the rejection and request allowance of Claims 19 and 20.

To support a rejection under 35 U.S.C. 103(a), the Examiner must show that one or more references describe each element of each of the pending claims. In addition, the Examiner must show a teaching of each element of each dependent claim.

The Applicants do not believe that this has been done by the Examiner, nor are the teachings of the present invention shown in Basch et al. As discussed *supra*, the Examiner has failed to show how independent Claim 16 is anticipated by Basch et al. Accordingly, Claims 19 and 20, which depend on and, therefore, incorporate all of the elements of Claim 16, are likewise not anticipated by Basch et al. Furthermore, the Applicants traverse the Examiner's factual assertion that personal computers and wireless handheld devices are well known network access devices and thus would have been obvious additions to the disclosure of Basch et al. The Applicants traverse that such disclosures as recited in claims 19 and 20 are well known in the art. Furthermore, the foregoing facts have not been properly officially noticed by the Examiner, because they lack any support in the record or otherwise.

The Basch et al. patent does not disclose a system in which a computer server is accessed via a communications network. Accordingly, lacking a communications network, it would not have been obvious to add a personal computer or handheld device in order to communicate the global risk management computer server, as disclosed and claimed in the present invention.

Furthermore, the Federal Circuit has held that "it is never appropriate to rely solely on 'common knowledge' in the art without evidentiary support in the record, as the principal evidence upon which a rejection [is] based." MPEP § 2144.03(B) (*citing In re Zurko*, 258 F.3d 1385 (Fed. Cir. 2002)) ("holding that general conclusions concerning what is 'basic knowledge' or 'common sense' to one of ordinary skill in the art without specific factual findings and some concrete evidence in the record to support these findings will not support an obviousness rejection." See MPEP § 2144.03(B)).

Application No. 09/812,627
Reply to the Office Action of March 9, 2004
Docket No.: 3499-94

The Applicants, therefore, traverse all of the rejections based upon 103(a), and respectfully request that claims 19 and 20 be allowed.

CONCLUSION

In consideration of the foregoing remarks and amendments, allowance of this application, as amended, is courteously urged.

Respectfully submitted,

Date: July 2, 2004

J.P. Kincart
Joseph P. Kincart
Reg. No. 43,716

Clifford Chance US LLP
31 West 52nd Street
New York, NY 10019-6131
Telephone: (212) 878-8476

LEXSEE 1999 US APP LEXIS 3849

SYSTEMATION, INC., Plaintiff-Appellee, v. ENGEL INDUSTRIES, INC.,
Defendant-Appellant.

98-1489

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

1999 U.S. App. LEXIS 3849

March 10, 1999, Decided

NOTICE: [*1] RULES OF THE FEDERAL CIRCUIT COURT OF APPEALS MAY LIMIT CITATION TO UNPUBLISHED OPINIONS. PLEASE REFER TO THE RULES OF THE UNITED STATES COURT OF APPEALS FOR THIS CIRCUIT.

SUBSEQUENT HISTORY:

Reported in Table Case Format at: 1999 U.S. App. LEXIS 33719.

DISPOSITION: Affirmed.**LexisNexis (TM) HEADNOTES - Core Concepts:**

JUDGES: Before NEWMAN, MICHEL, and CLEVENGER, Circuit Judges. Opinion for the court filed by Circuit Judge MICHEL. Dissenting opinion filed by Circuit Judge NEWMAN.

OPINIONBY: MICHEL**OPINION:** MICHEL, Circuit Judge.

Engel Industries, Inc., ("Engel") appeals from the order of the United States District Court for District of Massachusetts, granting Systemation, Inc.'s, ("Systemation's") motion for a preliminary injunction. See *Systemation, Inc. v. Engel Indus., Inc.*, No. 97-10375-RCL (D. Mass. June 15, 1998). Systemation filed its infringement suit on February 19, 1997. Systemation alleged in its complaint and in its motion, filed March 6, 1997, that Engel was infringing U.S. Patent Nos. 5,321,880 ("the '880 patent") and 5,283,944 ("the '944 patent"). On April 3, 1997, Engel filed a motion to dismiss for lack of personal jurisdiction, which was

denied by the district court on January 27, 1998. In its May 22, 1998 order setting forth its findings of fact and conclusions of law regarding the preliminary [*2] injunction, the district court held that Systemation was likely to succeed on the merits of its infringement claim, at least with respect to claim 1 of the '880 patent, and that the '880 patent would likely withstand expected validity challenges by Engel. The district court found the likelihood of success sufficient to raise a presumption of irreparable harm and alternatively found that Systemation would likely be irreparably harmed if the preliminary injunction were not granted. The other two factors it found insignificant. The district court then entered the order for a preliminary injunction on June 15, 1998. This appeal was submitted for our decision following oral argument on February 5, 1999. Because the district court did not abuse its discretion in granting the preliminary injunction, we affirm.

BACKGROUND

Engel and Systemation are both in the business of making products that fabricate and connect sections of duct such as air conditioning and heating duct. The technology at issue here involves the machines and methods of connecting these sections of duct at their adjacent ends. This is typically accomplished by fastening together flanges that are formed on the ends of [*3] the panels that form the sides of the duct sections. To fasten the flanges together, L-shaped "angle plates" (also referred to as corner members) are inserted into the corners of the flanges, one on either side of the meeting flanges of two adjacent duct sections, and a fastener (e.g., a bolt) is inserted through the angle plates to connect them. Traditionally, the insertion of the angle plates in the flanges was carried out manually.

The '880 patent discloses an apparatus and method for automatically inserting angle plates in the duct flanges. The machine which carries out this process is not directly at issue. Systemation contends that Engel is practicing a method of inserting the angle plates that infringes method claim 1 of Systemation's '880 patent.

Only claim 1 of the '880 patent was discussed by the district court in its opinion because it concluded that a preliminary injunction was warranted based on that claim alone. It is thus the only claim at issue in this appeal. That claim reads:

1. A method of assembling angle plates at corners of ducts into channel shaped flanges at ends of duct panels joined at a corner, said method comprising the steps of

positioning [*4] a plurality of angle plates within a supply hopper,

individually feeding an angle plate from the supply hopper,

moving each angle plate into contact with a duct corner and generally adjacent to flanges of such duct, and

progressively pressing said angle plate into said flanges.

'880 pat., col. 9, ll. 35-44 (emphasis added). Engel contended below and contends here that it does not infringe because its method does not meet the "progressively pressing" step of the claim. This is so, according to Engel, because that claim limitation requires "pressing in at least two steps or stages," rather than in one "steady" pressing motion, which is the interpretation advocated by Systemation and adopted by the district court. Engel's method of inserting angle plates clearly does not use a two-step pressing motion. Engel also attacks the validity of the claim on the ground that the prior art manual method of inserting such plates anticipates the claim. Systemation responds that the prior art method did not have positioned plates within a hopper that were part of an automated system, and therefore the prior art manual method could not anticipate.

In its decision, the district [*5] court relied on the testimony of Theodore DeWinter which was received during a two-day hearing. DeWinter is a formally trained and licensed mechanical engineer and professor who, according to the district court, "was the only trained and licensed engineer to testify at the preliminary injunction hearing." See Systemation, slip op. at 7.

In determining whether to grant the preliminary injunction, the district court, as required by our case law, considered the following factors: "(1) whether Systemation has a reasonable likelihood of success on the merits; (2) whether Systemation will suffer irreparable harm if an injunction is not granted; (3) whether the balance of the hardships to the parties weighs against granting the preliminary injunction; and (4) whether an injunction would unduly harm the interests of third parties or the public at large." *Id.* at 8.

With respect to Systemation's likelihood of success on the merits, the district court addressed in turn whether Systemation was reasonably likely to succeed on its infringement claim and whether Systemation was likely to withstand the validity attacks on its patent by Engel. In construing "progressively pressing," the district [*6] court relied on DeWinter's interpretation in concluding that that term merely meant "steady" pressing. With this claim construction, the district court concluded that Engel would likely be found to infringe literally because Engel's process indisputably pressed the angle plates into the flanges in one "steady" step. In the alternative, the district court found that even if it adopted Engel's claim construction, Engel would still likely be proven to infringe under the doctrine of equivalents.

The district court also found that Systemation would likely withstand Engel's challenges to the validity of the claim because the prior art manual method of inserting plates could not anticipate the claimed automated method which had additional steps. The district court further found that there was no other proof of invalidity, such as for obviousness due to the commercial success of the claimed product and the long-felt need in the industry for an automatic insertion method. Thus, the district court found that neither invalidity ground was likely to be proven by the requisite clear and convincing evidence.

With respect to the irreparable harm factor, the district court found that such irreparable [*7] harm was presumed because Systemation had made a clear showing that claim 1 of the '880 patent was likely to be proven to have been infringed and not to be proven invalid, and that this presumption was not rebutted by Engel. Even without the presumption, the district court found that Systemation would be irreparably harmed because it would lose sales to a direct competitor, Engel, if the injunction were not granted, and that damages would be very difficult to calculate due in part to the sales that would be lost in related markets to the claimed product market.

The district court also analyzed the balance of the harms and whether there was any harm to third parties or to the public. It found that neither of these factors weighed against entering the preliminary injunction.

Accordingly, the district court issued the preliminary injunction. Engel appeals. We have jurisdiction over the order granting the preliminary injunction pursuant to 28 U.S.C. § 1292(c)(1) (1994). n1

n1 We also assert jurisdiction over the district court's denial of Engel's motion to dismiss for lack of personal jurisdiction. See *Deckert v. Independence Shares Corp.*, 311 U.S. 282, 287, 85 L. Ed. 189, 61 S. Ct. 229 (1940).

[*8]

DISCUSSION

The grant of a motion for a preliminary injunction will not be vacated or reversed on appeal unless the district court abused its discretion in granting the motion. See *Vehicular Techs. Corp. v. Titan Wheel Int'l, Inc.*, 141 F.3d 1084, 1087, 46 U.S.P.Q.2D (BNA) 1257, 1259 (Fed. Cir. 1998). "An abuse of discretion may be established by showing that the court made a clear error of judgment in weighing relevant factors or exercised its discretion based upon an error of law or clearly erroneous factual findings." *Id.* (quoting *Novo Nordisk of N. Am. v. Genentech, Inc.*, 77 F.3d 1364, 1367, 37 U.S.P.Q.2D (BNA) 1773, 1775 (Fed. Cir. 1996)).

In order to show a likelihood of success on the merits, Systemation must show first that it will likely prove that the district court has personal jurisdiction over Engel. The district court denied Engel's motion to dismiss for lack of personal jurisdiction because it concluded that it had personal jurisdiction based on Engel's sale in Massachusetts of an allegedly infringing inserter machine to Engel's exclusive and independent distributor, Ritchie and Sons, Inc. ("Ritchie"), a Massachusetts corporation. The machine was then sold to another Massachusetts [*9] corporation, Charles P. Blouin, Inc. ("Blouin"). Title passed from Engel, out of the state, to Ritchie, in Massachusetts, and then to Blouin, another Massachusetts corporation, with the machine being delivered directly from the Engel factory to Blouin's manufacturing facilities, which are located in New Hampshire.

We hold the district court properly asserted personal jurisdiction over Engel based on its sale of an allegedly infringing machine to Ritchie in Massachusetts. Systemation's infringement claim arises directly from such acts by Engel. In addition, we agree with the district court that its assertion of personal jurisdiction under these circumstances complies with the Constitutionally-required "minimum contacts" and "fair play and substantial justice" inquiries. Several facts show that Engel's contacts with Massachusetts were more than

minimal and that Engel purposefully availed itself of the benefits of the laws of the Commonwealth of Massachusetts, including the generation of several million dollars in sales revenue through Ritchie in Massachusetts in the 1990s, offering products for sale in Massachusetts through national publications and an Internet website, maintaining [*10] Ritchie as a distributor since 1960 and more recently as an exclusive distributor, and being in constant communication with Ritchie in Wilmington, Massachusetts. Thus, Systemation is likely to prove that the district court has personal jurisdiction over Engel.

Further, likelihood of success on the merits here turns on claim construction. Indeed, Engel admits that it inserts the plates in "one quick step." Thus, an interpretation of "progressively pressing" that defines only one step will necessarily result in a finding of literal infringement of that claim. However, if "progressively pressing" is construed to require two steps, as Engel argues, Engel clearly does not literally infringe claim 1 of the '880 patent. The district court construed "progressively" to mean "steady" and did not interpret that term as requiring two steps.

Engel argues that the depiction of the claimed process in the written description and the drawings discloses a method where a first portion of the angle plate is pressed at an angle into the flange, and then another portion of the plate is pressed to insert the entire angle plate completely into the flange (thus, involving a two-step process). Systemation [*11] argues that the two-step process of the interpretation advocated by Engel is merely the preferred embodiment of the claimed method. The word "progressively," according to Systemation, is broadly referring to the steady pressing on the plate to move it onto the flanges, without requiring any two-step method.

We agree with Engel that a portion of the written description does disclose a two-step process for inserting the angle plates into the flanges. See '880 pat., col. 4, ll. 17-24 ("In an initial step of pressing an angle plate 22 into the pair of channel flanges 24, the corner portion of the angle plate 22 is depressed within the notch 48 with the legs 38 being tilted upwardly and tightly engaged with the panels 26 of the duct 20. Thereafter, as is shown in Fig. 5, the angle plate 22 is then fully pressed into the channel flanges 24.") (emphasis added). However, there is nothing in the specification that suggests Systemation limited the scope of claim 1 to such a "two-step" method. There was no prosecution history or prior art cited that would render it reasonable to limit the claims in such a way because an automatic method of inserting angle plates was not known in the [*12] prior art. Further, other portions of the written description support the conclusion that the disclosure of a two-step process was

merely a preferred embodiment, not the entire invention claimed by Systemation. See '880 pat., col. 1, ll. 57-60 ("An angle plate may be best positioned for pressing into the channel flanges with a corner thereof tilted into the notch.") (emphasis added); col. 9, ll. 21-26 ("Although only a preferred embodiment of the angle plate positioning machine has been specifically illustrated and described, it is to be understood that minor modifications may be made therein without departing from the spirit and scope of the invention as defined by the dependent claims.") (emphasis added).

Finally, the doctrine of claim differentiation also supports the conclusion that "progressively pressing" in claim 1 is not limited to the two-step pressing disclosed in a portion of the specification because a two-step method is expressly claimed in claim 5, which depends from claim 1:

5. The method of claim 1 wherein there is a notch between adjacent flanges at a corner of each duct, and in the pressing of an angle plate into said flanges, said angle plate [*13] is tilted with a corner of said angle plate tipping into said notch, and thereafter pressing said tilted angle plate fully into said flanges.

Id. at col. 10, ll. 4-9 (emphasis added). Claim 5 is directed to the two-step pressing method that Engel advocates as the legally correct interpretation of the final limitation of claim 1. However, claim 5, which depends from claim 1, is presumed to be narrower than claim 1. Further, under the doctrine of claim differentiation, absent clear and persuasive indications to the contrary, claim 1 is not limited to the two-step process, the limitation of the narrower dependent claim 5. See *Modine Mfg. Co. v. United States Int'l Trade Comm'n*, 75 F.3d 1545, 1551, 37 U.S.P.Q.2D (BNA) 1609, 1612 (Fed. Cir. 1996). Engel has not pointed to any such indications. Accordingly, we agree with the district court that "progressively pressing" does not require two-step pressing, but instead is correctly construed merely to require only steady pressing.

Based on this claim construction, Engel's accused method likely literally meets the "progressively pressing" limitation of claim 1 because it inserts the angle plates with one steady pressing motion. [*14]

Systemation is also likely to withstand Engel's validity challenges to claim 1 of the '880 patent. The only prior art relevant to claim 1 of the '880 patent is long public use of the manual method of inserting angle plates. Engel argues that the manual method anticipates claim 1 of the '880 patent. Systemation, however, argues that the manual method cannot anticipate claim 1 which

is clearly directed toward an automatic method. The district court agreed. So do we.

It is clear, at least when claim 1 is read in light of the written description and the other claims, that the claim is directed to an automated method of inserting plates. See, e.g., '880 pat., title ("Automated Method for Placement of angle plates in Transverse Duct Flanges.") (emphasis added); col. 1, l. 13-14 ("The invention relates to apparatus for and method of automatically placing . . .") (emphasis added). Such a method cannot be anticipated by a manual method for doing the same. The steps of the former are necessarily more in number. Further, the district court's factual findings that the claimed invention enjoyed significant commercial success and met a long-felt need are not clearly erroneous, and [*15] support a conclusion that the claimed invention was nonobvious. We hold the district court did not clearly err in finding that claim 1 was unlikely to be proven invalid by Engel by clear and convincing evidence.

The district court also did not clearly err in finding that Systemation would be irreparably harmed if the preliminary injunction were not granted. As discussed above, based on the correct claim construction of claim 1 of the '880 patent, a finding of literal infringement was shown to be very likely. Under settled law, irreparable harm must be presumed because the likelihood of success on the infringement issue is clear. Engel has offered nothing to rebut this presumption. Moreover, even in the absence of such a presumption, it is apparent, just as the district court found, that Systemation would have lost sales to a direct competitor if the preliminary injunction had not been granted. Systemation also submitted evidence that the damages would be very difficult to calculate and might not compensate Systemation fully for infringement by Engel. The district court did not commit clear error in weighing this evidence and finding that Systemation would be irreparably harmed if [*16] the injunction request were not granted.

With respect to the "balance of the hardships" and "public interest" preliminary injunction factors, the district court found that these factors did not weigh against the grant of a preliminary injunction. Engel challenges only the district court's finding that the balance of the harms did not weigh in either party's favor, but does not explain how Engel's loss of sales as a result of the grant of the preliminary injunction would be more harmful than Systemation's loss of sales if the preliminary injunction were denied. We discern no clear error in the district court's findings with respect to these factors.

In comparing all four factors, the district court concluded that issuance of the requested injunction

1999 U.S. App. LEXIS 3849, *

before trial was justified. We cannot say this conclusion was an abuse of discretion. Indeed, even under a de novo standard of review, we would have to affirm.

CONCLUSION

The district court properly asserted personal jurisdiction over Engel based on the sale of an allegedly infringing machine to Ritchie in Massachusetts. Based on the district court's correct construction of claim 1 of the '880 patent, the district court did not [*17] clearly error in finding a clear likelihood of success for Systemation on the merits of its infringement claim. Nor did it clearly err in finding it unlikely that the patent would be proven invalid. The district court also did not clearly err in finding that Systemation would be irreparably harmed if the preliminary injunction were not granted, or in finding that the remaining factors do not

weigh against the grant of a preliminary injunction to Systemation. Accordingly, the district court did not abuse its discretion in granting Systemation's motion for a preliminary injunction, and we therefore affirm.

DISSENTBY: Before NEWMAN

DISSENT: Before NEWMAN, Circuit Judge, dissenting.

I respectfully dissent, because I do not believe that likelihood of success on the merits has been established. In my view the correct construction of the claim term "progressively pressing" requires a progressive (not a uniform) pressing motion. Such a motion, or its equivalent, has not been shown to be present in the accused device.